

**MULTIMEDIA**



**UNIVERSITY**

**STUDENT ID NO**

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# MULTIMEDIA UNIVERSITY

## FINAL EXAMINATION

**TRIMESTER 2, 2021/2022**

### **DFA5034 – FINANCIAL ACCOUNTING 3**

( All sections / Groups )

22 APRIL 2022  
9.00 a.m. to 12.00 p.m.  
( 3 Hours )

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#### **INSTRUCTIONS TO STUDENT**

1. This Question paper consists of 5 pages with 5 Questions only.
2. Answer **ALL** questions.
3. Write your answers in the Answer Booklet provided.

## **QUESTION 1**

The management of Eazy Trading asks your help in determining the comparative effects of the FIFO and average-cost inventory cost flow methods. Accounting records of the company show the following data for year 2021:

Inventory on 1 January 2021 ( <i>10,000 units</i> )	RM17,000
Cost of purchases ( <i>100,000 units</i> )	?
Total sales revenue ( <i>85,000 units</i> )	408,000
Operating expenses	152,000
Income tax rate	20%

Units purchased during the year consisted of the following:

- 50,000 units at RM2.00 each on 5 March;
- 30,000 units at RM2.20 each on 8 August; and
- 20,000 units at RM2.40 each on 23 November.

### **Required**

- (a) Compute the following:
  - (i) Ending inventory units (1 mark)
  - (ii) Cost of goods available for sale (2.5 marks)
- (b) Show the calculation of the value of ending inventory under the following cost flow assumptions:
  - (i) FIFO (1.5 marks)
  - (ii) Average-cost (1 mark)
- (c) Prepare a comparative condensed Statement of Profit or Loss for the year ended 31 December 2021, under the FIFO and average-cost methods. (7 marks)
- (d) At the end of the year, the net realisable value of the inventory is RM56,000. Indicate at what amount the company's inventory will be reported using the lower-of-cost-or-net-realisable value basis for each of the two methods in (b). (1 mark)
- (e) Assume instead that Eazy Trading uses perpetual inventory system and the company sold 30,000 units on 31 March, 20,000 units on 30 June, 20,000 units on 30 September and 15,000 units on 31 December. Prepare a schedule to show the cost of goods sold and the value of the ending inventory under the FIFO method. (6 marks)

(Total: 20 marks)

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## **QUESTION 2**

In January 2021, the management of Nexus Sdn. Bhd. concludes that it has sufficient cash to permit some short-term investments in debt and share securities. During the year, the following transactions occurred related to its trading securities:

Mar 1	Purchased 900 ordinary shares of Organic Bhd. for RM48,600.
Apr 1	Purchased 100 RM1,000, 6% Pajam Bhd.'s bonds for RM100,000. Interest is payable semiannually on 1 October and 1 April.
May 1	Purchased 1,200 ordinary shares of Quino Bhd. for RM30,600.
Jun 1	Sold 300 ordinary shares of Organic at RM58 per share.
Jul 1	Received a cash dividend of RM0.70 per share on Organic's ordinary shares.
Aug 1	Received a cash dividend of RM1.10 per share on Quino's ordinary shares.
Oct 1	Received the interest on the Pajam's bonds. Thereafter, all Pajam's bonds were sold for RM98,000.

At 31 December 2021, the fair value of the Organic ordinary shares was RM56 per share, and Quino ordinary shares was RM23 per share.

### **Required**

- (a) Prepare the journal entries to record the transactions that occurred in 2021. (9.5 marks)
- (b) Prepare the adjusting entry at 31 December 2021 to report the portfolio at fair value. Show all your workings. (3.5 marks)
- (c) Post the relevant transactions to the Share Investments T-account. (2.5 marks)
- (d) Show the Statement of Financial Position presentation of the investment securities as at 31 December 2021. (2 marks)
- (e) Identify the financial statement where each of the following items would be reported in. The first example has been done for you.
  - (i) Gain on sale of share investments – *Statement of Profit or Loss*
  - (ii) Unrealised gain on trading securities
  - (iii) Unrealised loss on non-trading securities
  - (iv) Loss on sale of debt investments
  - (v) Fair value adjustment - Trading
  - (vi) Short-term investments

(2.5 marks)

(Total: 20 marks)

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**QUESTION 3****Part A**

Yazid and Zakaria formed a partnership, YZ Resources last year. On 1 January 2021, they have capital balances of RM60,000 and RM50,000 respectively. During the year, the partnership earned a profit of RM80,000 and total drawings amounted to RM11,000 for Yazid and RM15,000 for Zakaria. The partnership's income-sharing agreement provides for the following:

- Annual salaries of RM28,000 for Yazid and RM12,000 for Zakaria;
- Interest at 10% on beginning capital balances; and
- Remaining profit or loss to be shared 60% by Yazid and 40% by Zakaria.

**Required**

- (a) Prepare the Division of Net Profit schedule for the partnership for 2021. (6 marks)
- (b) Journalise the division of net profit for each partner. (2 marks)
- (c) Prepare a Partner's Capital Statement for 2021. (6.5 marks)

**Part B**

On 31 March 2022, partners' capital balances in Abby Trading are Adam RM45,000 and Barry RM35,000. The income sharing ratios are 3:2 respectively. On 1 April, ABC Trading is formed by admitting Colin to the firm as a partner.

**Required**

Prepare the journal entries to record the admission of Colin under each of the following independent assumptions. Show all your workings.

- (a) Colin pays RM15,000 to Adam and RM11,000 to Barry for 30% of each of their ownership interest in a personal transaction. (2 marks)
- (b) Colin invests RM40,000 cash in the partnership for a 30% ownership interest. (3.5 marks)

(Total: 20 marks)

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**QUESTION 4**

Hexagon Sdn. Bhd. sells spare parts for heavy machinery and equipment. The company prepares its financial statements semi-annually. Below are selected transactions extracted from the company's books:

2021 Jan 1	Borrowed RM30,000 from Bank Ilham by issuing a 9-month, 12% note with a face value of RM30,000.
Mar 1	Purchased merchandise on account from Jaya Bhd. by signing a 8%, 2-month, RM18,000 note.
May 1	Paid face value and interest on Jaya Bhd. note.
Jun 30	Accrued interest for the outstanding note.
Oct 1	Paid face value and interest on Bank Ilham note.
Nov 1	Purchased furniture and fittings from Syarikat Perabot Kalong paying RM6,000 in cash and signing a 6%, 4-month, RM20,000 note.
Dec 31	Accrued the interest on Syarikat Perabot Kalong note.

**Required**

- (a) Prepare the journal entries for the above transactions. (11.5 marks)
- (b) Prepare the current liabilities section of the Statement of Financial Position as at 31 December 2021. Assume the above transactions are the only ones related to current liabilities. (4 marks)
- (c) Calculate the total interest expense for the year. (1.5 marks)
- (d) Briefly explain what is liquidity. (1 mark)
- (e) What are two measures of liquidity? Provide the formula for both. (2 marks)

(Total: 20 marks)

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**QUESTION 5**

The comparative statement and additional information of Quill Paper are presented below:

<b>Quill Paper</b>		
<b>Statement of Profit or Loss for the year ended 31 December</b>		
	<b>2021</b>	<b>2020</b>
	<b>(RM)</b>	<b>(RM)</b>
Net sales (all on account)	470,000	412,900
Cost of goods sold	323,500	297,300
Gross profit	146,500	115,600
Operating expenses		
Administrative expenses	19,700	23,400
Selling expenses	33,100	29,200
Income from operations	93,700	63,000
Other expenses		
Interest expense	5,800	7,200
Miscellaneous expenses	3,600	3,000
Net profit	RM84,300	RM52,800

  

	<b>2021</b>	<b>2020</b>
Buildings and equipment (net)	RM413,000	RM358,000
Inventory	79,500	56,200
Accounts receivable (net)	94,900	100,100
Cash	160,700	134,400

**Required**

- (a) Prepare a horizontal analysis for the Statement of Profit or Loss for 2021 using 2020 as the base year. Put your answers to 2 decimal places. (4.5 marks)
- (b) Compute the following ratios for 2021. Put your answers to 2 decimal places.
  - (i) Accounts receivable turnover (2 marks)
  - (ii) Average collection period (2 marks)
  - (iii) Inventory turnover (2 marks)
  - (iv) Days in inventory (2 marks)
  - (v) Profit margin (2 marks)
- (c) Given the company's credit terms is 60 days and the industry average for inventory turnover is 90 days.
  - (i) Is the average collection period satisfactory? Why? (2 marks)
  - (ii) Is the inventory turnover satisfactory? Why? (2 marks)
- (d) Given the company's current ratio is 1.45:1. Calculate its current liabilities. Put your answer to the nearest ringgit. (1.5 marks)

(Total: 20 marks)

**End of Paper**